

## Claims

What is claimed is:

1. A method of creating and managing an index fund based on an index of funds of hedge funds, comprising:

5 identifying potential funds for an index of funds of hedge funds;  
identifying which of the potential funds meet specific criteria selected so as to minimize biases;  
creating an index by indexing funds identified as meeting the criteria;  
constructing a portfolio of funds in the index; and  
10 allocating capital to funds in the portfolio.

2. A method as in claim 1, wherein the biases minimized comprise selection bias.

3. A method as in claim 1, wherein the biases minimized comprise survivorship bias.

4. A method as in claim 1, wherein the potential funds are identified by searching available commercial databases.

5. A method as in claim 1, wherein the specific criteria comprise fund size.

6. A method as in claim 1, wherein the specific criteria comprise fund diversification.

7. A method as in claim 1, wherein the specific criteria comprise fund track record.

8. A method as in claim 1, wherein the specific criteria comprise reasonableness of fees charged.

9. A method as in claim 1, wherein the specific criteria comprise length of fund history.

10. A method as in claim 1, wherein the specific criteria comprise concentration criteria.

11. A method as in claim 1, wherein the specific criteria comprise resemblance of a fund or group of funds to a closed fund.

12. A method as in claim 1, wherein capital is allocated to funds equally across funds.

13. A method as in claim 1, wherein capital is allocated to funds according to fund size.

14. A method as in claim 1, further comprising rebalancing the portfolio periodically.

15. A method as in claim 1, further comprising negotiating fee discounts sufficient to enable a manager of the index fund to charge fees to investors that are at the same level as if the investors had invested in a fund of hedge funds.

16. A method as in claim 1, wherein data regarding potential funds is stored in a database according to object role modeling.

17. Software for creating and managing an index fund based on an index of funds of hedge funds, comprising:

software for identifying potential funds for an index of funds of hedge funds;

software for identifying which of the potential funds meet specific criteria

selected so as to minimize biases comprising selection bias and survivorship bias;

software for creating an index by indexing funds identified as meeting the criteria;

software for constructing a portfolio of funds in the index; and

software for allocating capital to funds in the portfolio.

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18. Software as in claim 17, wherein the biases minimized comprise selection bias.

10 bias.

19. Software as in claim 17, wherein the biases minimized comprise survivorship

20. Software as in claim 17, wherein the potential funds are identified by searching available commercial databases.

21. Software as in claim 17, wherein the specific criteria comprise fund size.

22. Software as in claim 17, wherein the specific criteria comprise fund diversification.

20 23. Software as in claim 17, wherein the specific criteria comprise fund track record.

24. Software as in claim 17, wherein the specific criteria comprise reasonableness of fees charged.

25 25. Software as in claim 17, wherein the specific criteria comprise length of fund history.

30 26. Software as in claim 17, wherein the specific criteria comprise concentration criteria.

27. Software as in claim 17, wherein the specific criteria comprise resemblance of a fund or group of funds to a closed fund.

28. Software as in claim 17, wherein capital is allocated to funds equally across  
5 funds.

29. Software as in claim 17, wherein capital is allocated to funds according to fund size.

10 30. Software as in claim 17, further comprising software for rebalancing the portfolio periodically.

10091412-030502 15 31. Software as in claim 17, further comprising software for negotiating fee discounts sufficient to enable a manager of the index fund to charge fees to investors that are at the same level as if the investors had invested in a fund of hedge funds.

32. Software as in claim 17, wherein data regarding potential funds is stored in a database according to object role modeling.

20 33. A system for creating and managing an index fund based on an index of funds of hedge funds, comprising:

a database storing potential funds for an index of funds of hedge funds; and  
a processing unit in communication with said database, the processing unit  
operative to:

25 identify which of the potential funds meet specific criteria selected so as to minimize biases comprising selection bias and survivorship bias;  
create an index by indexing funds identified as meeting the criteria;  
construct a portfolio of funds in the index; and  
allocate capital to funds in the portfolio.

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34. A system as in claim 33, wherein the biases minimized comprise selection bias.

35. A system as in claim 33, wherein the biases minimized comprise survivorship bias.

36. A system as in claim 33, wherein the potential funds are identified by searching available commercial databases.

37. A system as in claim 33, wherein the specific criteria comprise fund size.

38. A system as in claim 33, wherein the specific criteria comprise fund diversification.

39. A system as in claim 33, wherein the specific criteria comprise fund track record.

40. A system as in claim 33, wherein the specific criteria comprise reasonableness of fees charged.

41. A system as in claim 33, wherein the specific criteria comprise length of fund history.

42. A system as in claim 33, wherein the specific criteria comprise concentration criteria.

43. A system as in claim 33, wherein the specific criteria comprise resemblance of a fund or group of funds to a closed fund.

44. A system as in claim 33, wherein capital is allocated to funds equally across funds.

45. A system as in claim 33, wherein capital is allocated to funds according to fund size.

5 46. A system as in claim 33, wherein the processing unit is further operative to rebalance the portfolio periodically.

47. A system as in claim 33, wherein the processing unit is further operative to negotiate fee discounts sufficient to enable a manager of the index fund to charge fees to  
10 investors that are at the same level as if the investors had invested in a fund of hedge funds.

48. A system as in claim 33, wherein data regarding potential funds is stored in the database according to object role modeling.

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